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SUBJECT: DEMYSTIFY THE MOROCCO-U.S. FTA TO PROMOTE IT

REF: A. RABAT 1397

1B. CASABLANCA 169

Classified By: Principal Officer Douglas Greene for reasons 1.4 (B)
AND (D)

11. (SBU) Summary: The Morocco-U.S. FTA has brought many successful results, but Moroccan and American companies continue to seek ways to better understand and take advantage of it. While many Moroccans remain uncertain of how and if they can benefit from the FTA, many Americans remain unaware of Morocco and the opportunities it offers. Further education, resources and support are needed on both sides of the equation to demystify the FTA, and to enable Moroccan and American businesses to partner and take full advantage of it. End Summary.

MOROCCANS HESITANT, AMERICANS UNAWARE

12. (SBU) As reported previously (ref A), the Morocco-U.S. Free Trade Agreement (FTA) has brought many positives, including increased U.S. investment in Morocco, growth in Moroccan exports to the U.S. (particularly in textiles), and constructive cooperation between the U.S. and Morocco. Nearly two years after the FTA went into effect on January 1, 2006, however, many Moroccans and Americans are still trying to grasp how to take advantage of it.

13. (SBU) Lack of information on both sides of the Atlantic explains part of the lag in pursuing FTA opportunities. Many Moroccans feel that the U.S. is too far away, both geographically and culturally, and are hesitant to leave the comfort zone of doing business with Europe. As MFA FTA expert Houda Marrakchi put it, "the U.S. is difficult for them mentally."

14. (SBU) Given Moroccan perceptions of doing business with the U.S., generating interest, in some quarters, has been an uphill struggle. This year, Al Akhawayn University budgeted USD 180,000 for three trainings at its Executive Education Center - one on the FTA, one on arbitration in U.S. business law, and a third on export opportunities to the U.S. All three programs were cancelled due to insufficient demand. Reflecting Morocco's Europe-centered focus (with ambitious outreach to China and other key economic players in Asia), Said Bendidi, Chairman and CEO of palace-controlled Omnim Nord Africain (ONA), indicated in a recent meeting that most Moroccan businesses do not find the FTA significant (ref B).

15. (SBU) At the same time, many American businesses do not know Morocco and are unaware of the FTA. Recognizing this fact, the Moroccan-American Trade and Investment Council (MATIC) sponsored the Brand Morocco contest in the spring of 2007. Students from American

business schools competed to create the most effective campaign to educate American businesspeople about what Morocco can offer. In his work as Country Director for USAID's New Business Opportunities (NBO) program in Morocco, Michael Blakeley has noticed that U.S. companies are surprised to learn that an FTA with Morocco exists.

MORE INFORMATION, EDUCATION NEEDED

¶6. (SBU) For those who are aware of the FTA, education is needed to demystify it. According to Amina Lamrani, Deputy Director of the General Federation of Moroccan Enterprises (CGEM), the FTA is not well understood in Morocco. Despite the general perception that Moroccan businesses prefer to deal with Europe than the U.S., she insists they are interested in the FTA, but need to know more about it. To this end, her organization plans to work with the American Chamber of Commerce in Casablanca to disseminate sector-specific information to CGEM's 2000-plus members.

¶7. (U) Others suggest the need not only for user-friendly information, but also for practical guidance on how to assess the FTA's benefits. FTA provisions may reduce the duty on certain goods to zero percent, but this in itself does not mean that trade in these goods is necessarily advantageous. Moroccan businesses could benefit from training on the wide range of factors to consider when evaluating the pros and cons of trade with the U.S. under the FTA.

¶8. (C) Those working to promote U.S.-Morocco trade find that the lack of resources dedicated to raising Morocco's profile in the U.S. is a missing piece in their overall efforts. While technical programs assist Moroccan businesses, NBO's Blakeley believes there is a need to examine the "reverse angle" and get funding back to the U.S. to promote Morocco among American companies. The Department of Commerce's (DOC) Kim-Bang Nguyen, Deputy Director of the Office of

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Textiles and Apparel (OTEXA), shares this sentiment and would like to be able to fund trips for DOC representatives to visit U.S. textile companies to build awareness about opportunities with Morocco.

...AS WELL AS MORE SUPPORT

¶9. (SBU) For Moroccans to feel more at ease in their efforts to take advantage of the FTA, many feel they need more technical support. An executive from the Moroccan plastics company ExcelPlast noted that he is very satisfied doing business with an American supplier, but knows there are others with whom he could work - if only he could find them. Similarly, Star Olives, a client of USAID's Morocco Integrated Agriculture and Agribusiness (AAI) program, was able to locate a California distributor and later one in New York, but admitted the process requires patience and persistence even with AAI's help. Regardless of sector, numerous, intricate steps are required to move from identifying potential partners to a bona-fide deal, and companies may need intensive guidance from the get-go. Given this reality, some technical support providers feel it would be more effective to focus, at this stage, on a smaller number of companies that are prepared to go through the intensive deal-making process than to try to get numerous companies involved in the FTA.

¶10. (SBU) Moroccans interested in the FTA also point out that the European Union (EU) offers not just technical support, but financial assistance as well. Unlike U.S. businesses, many European suppliers give Moroccan companies open accounts, with insurance companies covering the risk of payment default. Moroccans ranging from the MFA's Marrakchi to private sector businessmen wonder why U.S. companies do not offer a similar service, both as an incentive to Moroccan businesses and to stay competitive with the EU.

¶11. (SBU) Networking and sharing success stories is one form of support that may be underutilized in Morocco. A Fulbright scholar studying the FTA hypothesizes that this is in part because Moroccan businesspeople hesitate to help those they perceive as competitors by sharing the secrets to their success. Nevertheless, those who have

taken advantage of the FTA have important information to convey and stand to learn from others as well.

¶12. (SBU) American businesspeople have also expressed the need for support from their Moroccan counterparts. Emad Shoeib, President and CEO of the TGIFridays franchise in Morocco, was mildly surprised at how long it took to start a business in Morocco, given delays in purchasing equipment and obtaining licenses and permits. Although the GOM is "willing and able" to help investors, the on-the-ground reality was tougher than Shoeib had expected, and he felt it would have been helpful to have an office or person to whom he could direct questions and concerns.

¶13. (C) Comment: Despite efforts to get the word out about the Morocco-U.S. FTA, Moroccans and Americans continue to need practical information and sector-specific, hands-on help to take advantage of it. Given the success of the FTA to date, the opening of the Tangier-Med port and Morocco's strong record of economic growth, now seems like a crucial time to push the FTA forward further by addressing misconceptions, clarifying procedures and offering assistance where needed. End Comment.

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